LIVESTOCK SERVICES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2003

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Livestock Services Revolving Fund as at March 31, 2003 and the statements of operations and accumulated operating surplus, and changes in accumulated net expenditure/(recovery) for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 27, 2003

Fred Wendel, CMA, CA
Provincial Auditor

LIVESTOCK SERVICES REVOLVING FUND
BALANCE SHEET
As at March 31

	2003	2002
ASSETS		
Current Assets:		
Accounts receivable (Note 12)	$ 307,963	$ 351,418
Accumulated net recovery (Statement 3)	246,276	81,739
Capital assets (Note 5)	7,360	13,601
	$ 561,599	$ 446,758
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 11)	$ 274,475	$ 331,820
Unearned revenue	6,235	5,010
	280,710	336,830
Fund Equity:		
Accumulated operating surplus (Statement 2)	280,889	109,928
	$ 561,599	$ 446,758

(See accompanying notes to the financial statements)

LIVESTOCK SERVICES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	Budget 2003 (Note 7)	2003	2002
REVENUES			
Livestock inspection fees	$ 2,476,653	$ 2,820,696	$ 2,535,137
Less: Commissions	45,291	48,485	48,037
Net inspection fees	2,431,362	2,772,211	2,487,100
Registered livestock brands	151,250	178,200	176,150
Livestock dealer licences	43,000	43,800	48,500
Administration fees	30,000	30,000	30,000
Loan guarantee inspection fees	19,500	39,149	6,327
Game farm inspection fees	40,000	26,469	46,385
Other revenue	1,150	1,310	4,741
Total Revenues	2,716,262	3,091,139	2,799,203
EXPENSES			
Salaries and benefits	2,071,220	2,307,157	2,166,561
Travel	324,915	295,602	315,201
Stationery	83,950	67,519	88,784
Telephone	63,300	66,908	69,209
Training and general consulting	13,500	61,161	10,854
Rental of office space and equipment	58,825	56,177	50,080
Bad debts (Note 12)	-	27,624	-
Other	12,325	13,129	15,215
Supplies and repairs	6,750	12,424	9,513
Amortization	18,000	4,580	5,104
Advertising and printing	7,400	3,434	2,448
Uniforms and dry cleaning	7,195	3,379	8,026
Computer supplies	2,700	1,084	714
Total Expenses	2,670,080	2,920,178	2,741,709
Net income	$ 46,182	170,961	57,494
Accumulated operating surplus, beginning of year		109,928	52,434
Accumulated operating surplus, end of year (to Statement 1)		$ 280,889	$ 109,928

(See accompanying notes to the financial statements)

LIVESTOCK SERVICES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE/(RECOVERY)
For the Year Ended March 31

	2003	2002
Financing required for (provided by) operating activities:		
Net income from operations	$ (170,961)	$ (57,494)
Items not affecting working capital -amortization	(4,580)	(5,104)
Net decrease (increase) in working capital items related to operations (Note 6)	12,665	(72,291)
	(162,876)	(134,889)
Financing required for (provided by) investing activities:		
Purchase of capital assets	1,633	4,962
Disposal of capital assets	(3,294)	-
	(1,661)	4,962
Net decrease in financing requirements	(164,537)	(129,927)
Accumulated net (recovery)/expenditure, beginning of year	(81,739)	48,188
Accumulated net (recovery), end of year (to Statement 1)	$ (246,276)	$ (81,739)

(See accompanying notes to the financial statements)

LIVESTOCK SERVICES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2003

1. Authority and Definition

The Livestock Services Revolving Fund was established on June 25, 1996 pursuant to Section 17.1 of *The Department of Agriculture, Food and Rural Revitalization Act* (Act). The purpose of the Revolving Fund is to operate the brand inspection program, the livestock inspection program and the livestock dealer licensing program. The Revolving Fund provides administrative services to the Cattle Marketing Deductions Fund and the Horned Cattle Fund pursuant to subsection 17.1(4)(d) of the Act.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure/(Recovery) and Note 6. The following accounting policies are considered significant.

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) of the Revolving Fund includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and

ii) the book value of assets acquired or disposed of at no charge from/to another government agency.

c) Revenue

Inspection fees and commissions are recognized when the livestock are inspected prior to sale.

Registered livestock brands revenues are recognized when the brands are issued.

Livestock dealer licence revenues are recognized when the licences are issued.

Administration fees are recognized as revenue when the services have been provided.

Loan guarantee and game farm inspection fees are recognized as revenue when the services outlined in the agreements between the Revolving Fund and Department of Agriculture, Food and Rural Revitalization (Department) are provided.

d) Capital Assets and Amortization

Capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the Statement of Operations and Accumulated Operating Surplus.

Amortization of capital assets is charged to operations using the straight line method at the following rates:

Computer equipment	33.3%
Office furniture	10%
Computer software	33.3%
Office equipment	20%

Assets acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

3. Authorized Financing

Subsection 17.1(12) of *The Department of Agriculture, Food and Rural Revitalization Act* provides for a maximum accumulated net expenditure, which may at any time be outstanding, to be set by Order of the Lieutenant Governor in Council. Order in Council 536/97 established the maximum accumulated net expenditure of the Revolving Fund at $3,000,000.

4. Accumulated Operating Surplus/Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. A plan may include, but is not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated operating surplus/deficit as $1,000,000.

5. Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ ---	$ ---	$ ---	$ 3,294
Office furniture	11,473	4,946	6,527	5,960
Computer software	8,636	8,636	---	---
Office equipment	17,568	16,735	833	4,347
	$ 37,677	$ 30,317	$ 7,360	$ 13,601

During the year, the Revolving Fund transferred its computer equipment to the Department at no cost. The computer equipment had costs of $119,782 and accumulated amortization of $116,488. These amounts have been removed from the cost and accumulated amortization balances above and the net book value of $3,294 has been charged to accumulated net expenditure. The Department now provides information technology services to the Revolving Fund and charges the Revolving Fund for these services. Included in training and general consulting expense is $51,282 for these services during the year.

6. Net Change in Working Capital Items Related to Operations

	2003	2002
(Decrease) increase in accounts receivable	$ (43,455)	$ 42,622
Decrease (increase) in accounts payable and accrued liabilities	57,345	(117,173)
(Increase) decrease in unearned revenue	(1,225)	2,260
	$ 12,665	$ (72,291)

7. Budget

These amounts are included in the Department budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of

Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at rates charged by those organizations and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2003	2002
Financial statement category:		
Revenues	$ 95,618	$ 82,712
Expenses	218,395	233,120
Accounts payable and accrued liabilities	12,456	20,978
Accounts receivable	16,988	38,087

The Revolving Fund received use of certain office space and administration services from the Department without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Amount Recorded in Public Accounts

The net (expenditure) recovery of the Revolving Fund reported in the Public Accounts is the net income of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund.

	2003	2002
Net income from operations	$ 170,961	$ 57,494
Decrease in net capital assets	6,241	142
Amounts not included in Public Accounts due to timing	(3,899)	9,793
Net recovery reported in the Public Accounts	$ 173,303	$ 67,429

10. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that affect the amount, timing, and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. However, most of the receivables were collected shortly after year-end.

c) Fair Value

Accounts receivable and accounts payable and accrued liabilities are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

The fair value of the accumulated net recovery has been omitted because it is not practicable to determine the fair value with sufficient reliability.

11. Accounts Payable

Included in accounts payable is $15,066 (2002 - $96,655) related to cattle sale proceeds withheld by the Revolving Fund pending resolution of issues surrounding ownership of the cattle sold.

12. Accounts receivable

Accounts receivable are recorded net of an allowance for bad debts. During the year, the Revolving Fund recorded an allowance and bad debt expense for $27,624 relating to amounts owing to the Revolving Fund from livestock dealers where collection is doubtful.

13. Comparative Figures

Certain of the 2002 figures have been reclassified to conform with the current year presentation.